

THE OFFICE OF REGULATORY STAFF

SETTLEMENT TESTIMONY

OF

Carey M. Flynt

November 9, 2007



DOCKET NO. 2007-4-G

**Annual Review of Purchased Gas Adjustment and Gas
Purchasing Policies
of Piedmont Natural Gas, Inc.**

**SETTLEMENT TESTIMONY OF CAREY M. FLYNT
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2007-4-G**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Carey M. Flynt. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Manager of the Gas Department for the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Business Administration, with a major in Accounting from the University of South Carolina in Columbia in 1975. I was employed at that time in the electric and gas utility industry and gained twenty five years experience in this field. In October 2004, I began my employment with ORS. I have testified on numerous occasions before the Public Service Commission of South Carolina ("Commission") in conjunction with natural gas issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

The purpose of my testimony is to address the settlement agreement made by and among the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company") (collectively referred to as the "Parties" or sometimes individually as a "Party").

Q. PLEASE ADDRESS THE MAJOR COMPONENTS.

A. ORS found that (i) Piedmont's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) Piedmont properly adhered to the gas

1 cost recovery provisions of its gas tariff during the Review Period; and (iii) Piedmont
2 managed its hedging program during the Review Period in a reasonable and prudent
3 manner.

4 However, the Parties further agree that: (i) Piedmont experienced significant issues
5 with some aspects of the accounting and reporting of its gas costs during the Review
6 Period; (ii) these issues resulted in numerous ORS adjustments including, but not
7 limited to, the Company's commodity true-up, inventory accountability and deferred
8 account-hedging program; (iii) several issues relating to the accounting entries
9 applicable to the Company's commodity true-up calculation and inventory levels
10 remain unresolved and, as a result, ORS is unable to verify the end-of-period balance
11 in deferred account #253.04 and (iv) in order to address the unresolved accounting
12 issues relating to Piedmont's commodity true-up and inventory levels and to permit a
13 final accounting of Piedmont's deferred account 253.04, Piedmont agrees to provide
14 revised and updated data to ORS for its review by not later than January 7, 2008.

15 The Parties further agree that a report regarding the aforesaid verification and
16 recommended adjustment(s) to the deferred account will be made and reported to the
17 Commission by the Parties no later than February 15, 2008.

18 Piedmont also agrees to exercise its best efforts to continue to correct deficiencies in
19 its accounting and reporting practices to conform with requirements of the
20 Commission, as stated in previous Orders of the Commission.

21 In addition, Piedmont further agrees to begin filing monthly hedging reports
22 beginning with the report for the month of November 2007 for a period of one year or

1 until otherwise adjusted by mutual agreement of the Parties or by Order of the
2 Commission in the next annual review.

3 Piedmont additionally agrees to report back to the Commission on the results of their
4 actions in restructuring their accounting practices and procedures on or before
5 February 15, 2008.

6 Although there were several problems with certain of Piedmont's accounting and
7 financial controls during the review period, ORS believes that Piedmont is making a
8 good faith effort to correct these shortcomings and should therefore be permitted the
9 additional time addressed in the settlement agreement to attempt to finalize their
10 corrective actions. ORS does not believe that it would serve the interests of any of the
11 parties or Piedmont's customers to impede the Company's progress to correct
12 problems identified by ORS and the Company itself.

13 Taking into consideration the above statements, ORS has determined that the public
14 interest and Piedmont has determined that their interests would be best served by
15 reaching this settlement agreement.

16 I respectfully request that the Commission approve this settlement agreement in its
17 entirety.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A.** Yes, it does.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2007-4-G

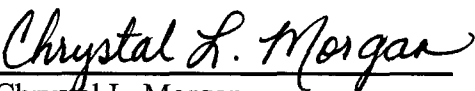
IN RE:

Annual Review of Purchased Gas Adjustment)	
and Gas Purchasing Policies of Piedmont)	CERTIFICATE OF
Natural Gas Company, Incorporated)	SERVICE
)	
)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SETTLEMENT TESTIMONY** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

David Carpenter
Tom Skains
Piedmont Natural Gas Company
PO Box 33068
Charlotte, NC 28233

James H. Jeffries IV, Esquire
Moore & Van Allen PLLC
Bank of America Corp Center
100 North Tryon Street, Ste 4700
Charlotte, NC 28202-4003


Chrystal L. Morgan

November 9, 2007
Columbia, South Carolina